

CITY OF SAN BRUNO

EMPLOYEE HOME LOAN ASSISTANCE PROGRAM

Background

As a part of its 1999-00 Strategic Goals, the City Council placed an emphasis on the attraction and retention of quality employees. In recognition that the increasing cost of housing on the San Francisco Peninsula is making home ownership difficult for many employees, the City Council has requested the development of a program to provide for loans to City employees to assist them in obtaining housing in San Bruno.

The purpose of these loans is two-fold. First, to obtain or retain the special and unique services of individual employees. A housing assistance program will enhance employee recruitment and retention efforts by providing financial assistance to purchase a home within San Bruno. Such a program is intended to promote long-term residence in, and employment by, the City. Secondly, the City gains the additional benefits of an employee both living and working within the community and being "in touch" with those that he or she serves on a day-to-day basis and being more readily available to serve the community in the event of an emergency.

As this serves the important public purposes of obtaining and retaining the best employees and allowing those employees to establish roots in the community, such a loan shall not run afoul of the "gift of public funds doctrine."

EMPLOYEE HOME LOAN ASSISTANCE PLAN

Program Criteria

Terms of the Employee Home Loan Assistance Program include the following:

1. Positions covered: All permanent, full-time employees.
2. The purpose of the loan is to provide assistance to an employee to make a first time owner occupied purchase of housing within San Bruno. Therefore, these loans shall not be available to refinance existing loans nor for employees to move from one owner-occupied residence in San Bruno to another in San Bruno.
3. The amount of the loan available shall be capped at \$80,000 or 20% of the purchase price of the property, whichever is lower.
4. All loans shall be secured by a Deed of Trust encumbering the real property which must be the principal place of residence of the employee and shall be located within the city limits of San Bruno. The Deed of Trust shall be title insured.

5. The loan will be due upon the sale, refinancing, use of a home equity loan, transfer of any interest, ceasing to use the property as their primary residence, or failure to comply with the loan conditions.
6. If the employee leaves the employment of the City, for any reason, the loan must be repaid within six (6) months of the separation date.
7. The initial rate of interest will be based on the latest monthly Local Agency Investment Fund (LAIF) rate earned by City investments. Thereafter the rate will vary once per year, adjusted annually to equal the LAIF rate earned by the City for the quarter ended June 30 of each year.
8. Payments of interest (and principle when due) shall be made biweekly through payroll deductions. In the event payment is late by ten or more days through no fault of the City, a finance charge of the maximum amount allowed by State of California law will be imposed.
9. No payment on the principal of the loan will be due until after the end of the 5th year of the loan.
10. Commencing 5 years from the initial date of the note, payments of principal amortized on a 25-year schedule in addition to interest payments will be payable biweekly through payroll deductions.
11. The balance of the loan, original loan amount less principal payments, is due at the end of fifteen (15) years from date of origination.
12. The City will file a second deed of trust on the property with a provision requiring a request for notice from the holder of the first deed of trust. The second deed of trust shall be title insured.
13. The total amount financed, including any other mortgage financing, must not exceed 100 percent of the purchase price, and only one City loan can be made per home.
14. The employee may pay off the loan at anytime with no prepayment penalty.
15. The total of Employee Home Loan Assistance Program loans shall not exceed 10% of the City's investment portfolio at the time of placement of any loan. Loans will initially be funded by an advance from the PERS Reserve Fund or other appropriate funds as recommended by the City Manager.

Application Process:

Application for an Employee Home Loan shall be made in writing to the Finance Director. The application shall include the employee's name, current address, position held with the City or position applied for with the City, purchase property location (if known), and the amount of City loan requested. It is not necessary for the applicant to have a specific home selected for purchase prior to submitting for a City loan.

Application approval/rejection should be determined before a purchasing commitment is made, and it is expected that loan approval/rejection would assist the applicant in selecting a home price range for consideration.

Applications will be acted upon (reservation of funding granted or withheld) within four weeks of date of application. Funds will be reserved (encumbered) for a maximum of 60 days if all program terms are expected to be met by the time of purchase closure.

After 60 days reserved funds will be released to fund other loan requests unless documented extenuating circumstances are provided prior to the 60th day. Final approval of the loan is contingent upon all program criteria being met, and can be enacted administratively by the Finance Director with the approval of the City's Investment Advisory Committee (comprised of Assistant City Manager, Treasurer, and Finance Director) subject to final approval by the City Manager.

RESOLUTION NO. _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN BRUNO
ESTABLISHING AN
EMPLOYEE HOME LOAN ASSISTANCE PROGRAM

WHEREAS, the City Council finds and declares that the housing market in the Bay Area is such that the acquisition and retention of employees is greatly enhanced by providing housing assistance for said employees; and

WHEREAS, the City Council finds and declares that it is of great benefit both to City government and to the community at large to have its employees and their families living in San Bruno; and

WHEREAS, the City Council of the City of San Bruno finds and declares that the duties of such employees can be performed with greater dispatch and efficiency if those employees reside within the City; and

WHEREAS, the Bay Area housing market makes it difficult for such employees to find appropriate and reasonable housing within the City of San Bruno without City assistance;

NOW, THEREFORE, BE IT RESOLVED as follows:

A. An Employee Home Loan Assistance Program is hereby established.

B. Loans may be made of City funds to City employees of the City of San Bruno as follows:

1. Positions covered: All permanent, full-time employees.
2. The purpose of the loan is to provide assistance to an employee to purchase housing within San Bruno. Therefore, these loans shall not be available to refinance existing loans nor for employees to move from one owner-occupied residence in San Bruno to another in San Bruno.
3. The amount of the loan available shall be capped at \$80,000 or 20% of the purchase price of the real property, whichever is lower.
4. All loans shall be secured by a Deed of Trust encumbering the real property which must be the principal place of residence of the employee and shall be located within the city limits of San Bruno. The Deed of Trust must be title insured.
5. The loan will be due on sale, refinance, home equity loan, transfer of any interest, ceasing to use the property as their primary residence, or failure to comply with the loan conditions.
6. If the employee leaves the employment of the City, for any reason, the loan must be repaid within six (6) months of the separation date.

7. The initial rate of interest will be based on the latest monthly Local Agency Investment Fund (LAIF) rate earned by City investments. Thereafter the rate will vary once per year, adjusted annually to equal the LAIF rate earned by the City in the quarter ended June 30th annually.
8. Payments of interest only shall be made biweekly through payroll deduction. In the event payment is late by ten or more days through no fault of the City, a finance charge of the maximum amount allowed by State of California law will be imposed.
9. No payment on the principal of the loan will be due until after the end of the 5th year of the loan.
10. Commencing 5 years from the initial date of the note, payments of principal amortized on a 25-year schedule along with interest payments will be payable on a biweekly basis through payroll deductions.
11. The balance of the loan, original loan amount less principal payments, is due at the end of fifteen (15) years from date of origination.
12. The City will file a second deed of trust on the property with a provision requiring a request for notice from the holder of the first deed of trust. The second deed of trust shall be title insured.
13. The total amount financed, including any other mortgage financing, must not exceed 100 percent of the purchase price, and only one City loan can be made per home.
14. The employee may pay off the loan at anytime with no prepayment penalty.
15. The total of Employee Home Loan Assistance Program loans shall not exceed 10% of the City's investment portfolio at the time of placement of any loan. Loans will initially be funded by an advance from the PERS Reserve Fund or other appropriate fund as determined by the City Manager.

EMPLOYEE HOME LOAN ASSISTANCE AGREEMENT

AGREEMENT, this ____ day of _____, ____ by and between the CITY OF San Bruno, a California municipal corporation, hereinafter referred to as the "City", and _____, hereinafter referred to as "_____".

WHEREAS, the City desire to employ/retain _____ in the position of _____ with the City of San Bruno; and

WHEREAS, _____ desires to accept/retain employment as the _____ with the City; and

WHEREAS, _____ would be unable to accept/continue said employment without relocating his/her place of residence; and

WHEREAS, the City finds and declares that the City is greatly benefitted from having its _____ live in the City of San Bruno and that it is important for _____ reside within the City due to the nature of the duties of his/her position; and

WHEREAS, _____ would be unable to find appropriate and reasonable housing within the City without City assistance; and

WHEREAS, said housing assistance is a material inducement to _____'s acceptance/continuation of employment with the City and his/her acceptance/continuation of employment with the City is a material inducement to the City's granting housing assistance.

NOW, THEREFORE, IT IS AGREED AS FOLLOWS:

1. _____ has represented to the City that he/she is acquiring a residence for his/her personal use in the City of San Bruno, California, to wit, _____, San Bruno, California.
2. The City feels it is important for the _____ to reside in the City due to the nature of his/her duties.
3. The City will furnish to _____ a loan of \$_____ to assist in the acquisition of his/her principal residence within the City of San Bruno, California, on the following terms and conditions.
 - (1) Said loan shall be evidenced by a promissory note bearing variable interest at the same rate as the interest rate established by the State of California, Local Agency Investment Fund. _____ shall pay interest only in semiannual installments. Said loan shall be secured by a deed of trust encumbering real property located with the City of San Bruno, County of San Mateo, constituting _____'s residence.
 - (2) The principal sum of the note, plus accrued interest, if any, shall become all due and payable upon happening of any of the following events:

- (1) _____ (____) years from the date of the loan;
- (2) the termination of the employment relationship between the CITY OF SAN BRUNO and _____, whether by retirement, discharge, disability, death, voluntary termination, or any other cause whatsoever;
- (3) the further encumbrance, transfer, assignment, conveyance, sale or agreement to sale of the real property, or any legal or beneficial interest therein, securing this note, whether voluntary or by operation of law;
- (4) _____'s change of actual principal residence from the encumbered property to another place of residence.

(c) _____ and the City agree that said note is a material inducement to employment and is a part of his/her compensation for said employment, and further agree that it does not constitute "a standard purchase-money transaction", such as to bar a deficiency judgment under Section 580b of the California Code of Civil Procedure. It is further agreed that the terms under which the principal shall become immediately due and payable do not constitute an unreasonable restraint on alienation, and that said note is specifically non-assumable.

1. _____ and the City agree that the loan proceeds need not be deposited in escrow. However, _____ shall execute all appropriate documents, including but not necessarily limited to a promissory note and deed of trust, prior to receipt of funds and said documents shall be recorded immediately upon close of escrow.

2. _____ and the City agree that he/she shall actually reside upon the real property securing the note.

3. The parties acknowledge that an escrow is/is not pending at _____ San Bruno, California, for _____'s purchase of the real property and agree that said escrow shall/shall not be utilized to consummate this transaction.

1. It is understood and agreed upon the happening of any of the events set forth in Paragraph 3(b), hereinabove, that would result in the principal of the note, plus accrued interest, becoming all due and payable, _____ shall have a period of one hundred and twenty (120) days from the happening of said event in which to pay said principal and accrued interest in full and said note shall be in default unless said sums have not been paid in full on or before one hundred and twenty (120) days following the happening of said event.

IN WITNESS WHEREOF, the parties hereto execute this Agreement the day and year first above written.

Date _____

EMPLOYEE

CITY OF SAN BRUNO

Date _____

By _____
City Manager